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October 14, 2005

VIA HAND DELIVERY

James T. Odiorne, Esq.
Deputy Insurance Commissioner
Company Supervision Division
Office of Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98512

RECEIVED
OCT 17 2005
INSURANCE COMMISSIONER
COMPANY SUPERVISION

Re: UnitedHealth Group Incorporated Acquisition of PacifiCare Health Systems

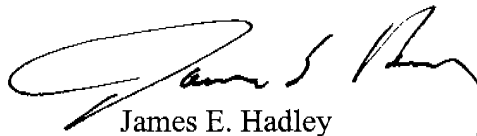
Dear Mr. Odiorne:

For your information the following documents are enclosed:

1. Standard & Poor's Insurer Credit Report United HealthCare Insurance Co. – Rating A+ (Strong)/Related Ratings, 12/28/04
2. Standard & Poor's Insurer Credit Report UnitedHealth Group Inc. – Credit Rating A/Stable/A-1/Credit Rating History/Factors, 12/28/04
3. Standard & Poor's Insurance Credit Report, Research Update: UnitedHealth Group Inc. 'A' Ratings Affirmed; PacifiCare Health Systems Ratings On Watch Pos – 7/6/05
4. UnitedHealth Group News Release 10/14/05 Entitled: "UnitedHealth Group Reports Record Third Quarter Net Earnings Of \$0.64 Per Share"

Very truly yours,

RYAN, SWANSON & CLEVELAND, PLLC



James E. Hadley

JEH:nlm
Enclosures

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James T. Odiome, Esq.
Deputy Insurance Commissioner
October 14, 2005
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cc: *Via Facsimile Only*
Michael McDonnell (w/o encl.)
Nancy Monk (w/o encl.)
Bob Sullivan (w/o encl.)
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**STANDARD
& POOR'S**

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RatingsDirect
Publication Date
Dec. 31, 2014

United HealthCare Insurance Co.

RATING A+ (STRONG)

An insurer rated 'A' has STRONG financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

RELATED RATINGS

Golden Rule Insurance Co.

Financial Strength Rating
Local currency A+

UnitedHealth Group Inc.

Sr unsec'd debt
Local currency A
CP
Local currency A-1

United HealthCare Insurance Co. of Illinois

Financial Strength Rating
Local currency A

United HealthCare Insurance Co. of New York

Financial Strength Rating
Local currency A

United HealthCare Insurance Co. of Ohio

Financial Strength Rating
Local currency A

United HealthCare of Alabama Inc.

Financial Strength Rating
Local currency A

United HealthCare of Arizona Inc.

Financial Strength Rating
Local currency A

United HealthCare of Florida Inc.

Financial Strength Rating
Local currency A

United HealthCare of Georgia Inc.

Financial Strength Rating
Local currency A

United HealthCare of Illinois Inc.

Financial Strength Rating
Local currency A

United HealthCare of Kentucky Ltd.

Financial Strength Rating
Local currency A

United HealthCare of New England Inc.

Financial Strength Rating
Local currency A

United HealthCare of North Carolina Inc.

Financial Strength Rating
Local currency A

United HealthCare of Ohio Inc.

Financial Strength Rating
Local currency A

UnitedHealthCare of Texas Inc.

Financial Strength Rating
Local currency A

UnitedHealthCare of the Midwest Inc.

Financial Strength Rating
Local currency A

UnitedHealthcare of New Jersey Inc.

Financial Strength Rating
Local currency A

UnitedHealthcare of New York Inc.

Financial Strength Rating
Local currency A

UnitedHealthcare of Wisconsin Inc.

Financial Strength Rating
Local currency A

Oxford Health Plans (NY) Inc.

Financial Strength Rating
Local currency A

HOLDING COMPANY

Golden Rule Insurance Co.

DOMICILE

Connecticut

LICENSED

All states except New York

Company Contact

UnitedHealth Group Inc.
9900 Bren Road East
Minnetonka, MN 55343
Tel.: (1) 952-936-1300
Chief Executive Officer: William W. McGuire, M.D.
Treasurer: Robert W. Oberender

Major Rating Factors

Strengths:

- Extremely strong earnings profile.
- Very strong competitive position.
- Good diversification.
- Differentiated positioning.
- Very strong financial flexibility.

Weaknesses:

- High levels of goodwill.
- Statutory capitalization lower than appropriate for the rating.

Rationale

The insurer financial strength rating on UnitedHealthCare Insurance Co. (UHCI) is based on the consolidated UnitedHealth Group Inc.'s (UNH) very strong competitive position, good diversification, differentiated positioning, extremely strong earnings profile, very strong financial flexibility, and good statutory capitalization.

UNH's consolidated earnings adequacy ratio of 410% for the five years ended Dec. 31, 2003 is considered extremely strong and consistent with the ratings. Its pretax ROR has been stable and averaged 6.9% in the prior five-year period. UNH generated EBIT of \$2.9 billion for the nine months ended Sept. 30, 2004, a 37% increase from the same period in 2003.

UNH is the second largest health insurer and managed care organization in the U.S., providing commercial medical services and benefits (in its Health Care Services and Uniprise franchises) to more than 20 million members. The organization had good organic commercial enrollment growth of 3.3% for the nine months ended Sept. 30, 2004, and 4.2% same-store increase in government program membership for the same period. UNH serves all market segments, including the small group, individual, multi-site self-insured, AARP Medicare supplement, Medicare Advantage, and Medicaid markets. UNH's membership by segment is as follows: 9.6 million Uniprise members (primarily nonrisk), a 5.6% increase for the nine months ended Sept. 30, 2004; 10.8 million UnitedHealthcare commercial members, a 30.6% increase for the same period including acquisitions of Golden Rule Financial Corp. (Golden Rule), Mid

Atlantic Medical Services, Inc. (MAMSI), and Oxford Health Plans Inc. (Oxford); and 1.6 million members in government programs, a 23% increase for the same period. UNH operates more than 55 organized health plans and insurance companies in nearly 50 domestic and international markets. UNH's Health Care Services segment, which includes the UnitedHealthcare, Ovations (senior market), and AmeriChoice (Medicaid) businesses, contributed 68% of earnings from operations for the first nine months of 2004 compared with 63% for the same period in 2003. In addition, UNH is growing its health-related services through three other distinct operating units: Uniprise (17% of nine-month 2004 operating earnings compared with 22% for the same period in 2003), Specialized Care Services (12%), and Ingenix (3%).

UNH's strengths are similar to those of other national large carriers: broad geographic diversification, market segments, and product lines and strong technology applications at several levels of the health care industry. However, UNH's Specialized Care Services business unit has established unique products in specialized care benefits and networks and resource coordination, which provide benefit-support services to large organizations, and in health care data, research, analysis, and related services through its related Ingenix business unit. This is unlike diversification in insurance product lines because these are unregulated businesses and are not subject to volatility of underwriting cycles. UNH can leverage these health service units to enhance its largest operating units' (Health Care Services and Uniprise) ability to deliver better health care while fueling revenue and earnings expansion in traditional and nontraditional markets.

UNH has good access to the external capital markets, the result of maintaining financial leverage consistent with the current rating category (a 26.1% debt-to-total-capital ratio as of Sept. 30, 2004) and maintaining strong and stable interest coverage (33.9x for the nine-month period ended Sept. 30, 2004). In addition, the consolidated cash flow from operations (\$2.9 billion for the nine months ended Sept. 30, 2004, compared with \$2.1 billion for the same period in 2003) provides the company with a great deal of flexibility to use funds both internally and externally. The company repurchased \$1.6 billion of its own stock in 2003 and \$2.1 billion through Sept. 30, 2004.

Goodwill and intangibles constituted about 94% of shareholders' equity as of Sept. 30, 2004. This ratio, though high, is generally consistent with UNH's intangibles to equity ratio in the past few years because UNH has aggressively pursued share repurchases rather than retaining its earnings. The extremely strong earnings and cash flows from operations currently support that level of goodwill, but it is a negative factor in Standard & Poor's Ratings Services' assessment of the quality of UNH's capital. Debt to tangible capital was 86% as of Sept. 30, 2004.

The consolidated CAR as measured by Standard & Poor's model grew to 125% (excluding Golden Rule) at year-end 2003 compared with 117% at year-end 2002. On a pro forma basis with its newly acquired plans, capital adequacy as of Dec. 31, 2003 was much higher, at 137%, and supportive of the rating. However, Standard & Poor's believes capitalization will return to historically lower levels and that UNH's strong, stable earnings capacity, cash generation from both regulated and nonregulated sources, and financial flexibility in the external capital markets enable it to strengthen regulatory capital if required.

UNH's recent acquisitions add a modest degree of risk because of increasing goodwill and operational integration. Standard & Poor's gains some comfort in the level of goodwill because it is supported by continued extremely strong cash flows. Potential future cash flows afforded by more competitive networks are expected to support these higher levels of goodwill for at least one to two years. Nevertheless, UNH will need to retain earnings to preserve intangibles to total equity levels.

Standard & Poor's anticipates that the enhanced provider network of the combined organization will have more negotiating influence with hospitals and doctors in the New York, Maryland, and Virginia markets. Standard & Poor's also expects key managers to remain in place. The operational integration risks are also partially mitigated by the acquired business being core to UNH's business as well as UNH's successful experience with acquisitions and back-office integration.

Outlook

UNH is expected to grow revenue by about 29% to more than \$37 billion for full-year 2004, including acquisitions. Standard & Poor's expects UNH's 2004 EBIT to be more than \$4.0 billion (about a 10% ROR), one of the industry's highest returns. Consolidated statutory capitalization is expected to be maintained, with a capital adequacy ratio of 110%-115%. The company's debt-to-total-capital ratio is not expected to exceed 30% in the near future. Interest coverage is expected to be more than 20x, which is considered strong for the rating category.

UNH's acquisitions of Oxford and MAMSI had a neutral effect on UNH's overall capitalization and financial flexibility. Standard & Poor's believes integration risks will be offset by favorable business positioning in those markets.

Competitive Position

Table 1

	—Year ended Sept. 30—		—Year ended Dec. 31—		
(Mil. \$)	2004	2003	2002	2001	2000
Enrollment (000s) (including transition markets)	21,955	18,690	17,860	16,510	15,031
Premiums	23,985	25,448	21,906	20,683	18,926
Net underwriting gain/loss	2,903	2,977	2,221	1,550	1,215
Net income/loss	1,848	1,825	1,352	913	736
Pretax return on revenue (including realized capital gains/losses) (%)	10.6	9.9	8.7	6.7	5.5
Total assets	27,897	17,634	14,164	12,486	11,053
Total stockholders' equity	11,067	5,128	4,428	3,891	3,688

*GAAP.

Table 2

	—Year ended Sept. 30—		—Year ended Dec. 31—		
(Mil. \$)	2004	2003	2002	2001	2000
Enrollment (000s) (including transition markets)	21,955	18,690	17,860	16,510	15,031
Percentage change	17.5	5.6	7.2	9.8	4.1
Premiums	23,985	25,448	21,906	20,683	18,926
Percentage change	N.A.	16.2	5.9	9.3	7.8

*GAAP. N.A.—Not available.

Standard & Poor's believes UNH has a very strong competitive position that is both well-diversified and differentiated. UNH is one of the largest health care organizations in the U.S., providing health care services and benefits to about 21.9 million lives as of Sept. 30, 2004 (excluding members served under the AARP Medicare Supplement plan and people served through the Specialized Care Services business).

Diversification

UNH is well-diversified, operating more than 55 organized health plans and insurance companies as well as related health service units. UNH has developed unique competencies through its four distinct operating segments: Health Care Services (which includes the UnitedHealthcare, Ovations, and AmeriChoice businesses), Uniprise, Specialized Care Services, and Ingenix. These units enhance its ability to deliver health care while expanding business growth opportunities.

UNH's acquisition of Golden Rule in the fourth quarter of 2003 added diversification, as well as opportunity and challenge, in the individual health market. This unit, which reports through Health Care Services, is the platform for offering insurance to individuals through individual and group association contracts, and adds about \$1 billion in revenues with proportionate earnings contributions.

Health Care Services

Health Care Services is made up of the UnitedHealthcare, Ovations, and AmeriChoice businesses. UnitedHealthcare, which operates organized health systems, is the largest of Health Care Services' business units, representing about \$15.6 billion in revenues and about 9.6 million enrollees as of Sept. 30, 2004. Its goal is to maintain a first, second, or third position in each geographic market in which it operates and to maintain sufficient critical mass to support multi-site sales.

This business segment primarily markets to small and mid-size employers with up to 5,000 employees. Its principal health plan products are Choice, Choice Plus (open access), and Options PPO (preferred provider organization). Golden Rule's individual market segment has been added to this segment.

Aggregate health enrollment has increased tremendously in the last five years, largely through internally generated membership growth. This reflects the group's brand recognition, innovative product line, value-based pricing philosophy, and, to a lesser extent, external acquisitions. Such growth is consistent with UNH's overall mission, which is to enable, facilitate, and advance health and well-being.

Ovations provides health and well-being services for individuals aged 50 and older. Products and services include: Medicare Supplement, Medicare Select, and hospital indemnity and pharmacy services for AARP members. EverCare provides medical services to aging, vulnerable, and chronically ill individuals in nursing homes, community-based settings, and private homes. Ovations Senior and Retiree Services division provides health care coverage for the senior market, primarily through the Medicare+Choice program administered by Centers for Medicare and Medicaid. Ovations is designing new services around improving the affordability of prescription drugs and helping older Americans remain independent in their homes. The Ovations unit's revenues were about \$6.5 billion in 2003. Through its contract with AARP, it serves about 4 million members and holds the largest share of the U.S. Medicare Supplement market.

AmeriChoice is dedicated to Medicaid Services of more than 1.2 million members in state health programs. UNH's Medicaid membership was consolidated into this unit in September 2002 through the acquisition of 370,000 AmeriChoice members, effectively adding considerable operating scale to this operation. The AmeriChoice unit's revenues were about \$2.7 billion in 2003.

Uniprise

Uniprise is the fastest-growing unit in the health benefit market in the U.S., adding almost 4 million lives from 1998 through 2003, a 70% increase primarily through organic growth. The mid-year 2004 enrollment reflected weaker economic conditions and modest employee attrition from the groups in this segment.

Uniprise provides customized employee solutions for large organizations with 5,000 or more employees, including benefits design and implementation, large volume transaction processing, and customer services. Customer segments served include multi-site employers with more than 5,000 employees, such as corporations, governments, and labor organizations, as well as third-party insurers and service providers. This unit's revenues were about \$3.1 billion in 2003, and it served about 9.6 million members as of Sept. 30, 2004, an increase from 9.1 million members at year-end 2003.

Specialized Care Services

Specialized Care Services is a portfolio of 10 separate specialty businesses offering highly specialized benefits, networks, services, and resources to improve health and well-being. Specialized Care Services principally comprises

the following businesses: United Behavioral Health (mental health, substance abuse, and employee assistance services), Spectera (vision), Dental Benefit Providers (dental care), Optum (employee assistance for health care information), and United Resource Networks (disease management and transplant-related products and services). Specialized Care Services is one of the fastest-growing divisions of UNH, with 20%-25% annual revenue growth, generating \$1.9 billion in revenues for 2003. Specialized Care Services is currently building businesses around chronic disease management, vision care, and various other medical specialties.

Ingenix

Ingenix delivers information products and services to all participants in the health care marketplace. Such services include database and data management, cost and utilization analysis software, pharmaceutical clinical trial services, cost and outcome studies, and publishing and publications. This unit services health care providers, payers, employers, governments, pharmaceutical manufacturers, and device manufacturers. Ingenix generated \$574 million in revenues for 2003 but is expected to grow revenues more than 16% in 2004 given significant potential for expansion in all product lines.

Prospective

For 2005, Standard & Poor's expects about 5% organic membership growth overall. In the Uniprise business unit particularly, although economic conditions have improved employee retention, competition in the national account arena is intensifying. UNH's focus on expanding its role into health care-related businesses will continue to drive good growth, especially in new areas such as the individual/health savings account segment, dental and vision supplemental offerings, and Medicaid programs.

Management and Corporate Strategy

Standard & Poor's favorably views UNH's strategies and its innovative approach toward improving the health and well-being of its members. This has allowed it to grow into, and sustain itself as, one of the nation's largest and leading health care providers.

UNH's strategy is aimed at promoting health and well-being through all stages of life. UNH focuses on offering greater flexibility than traditional managed care providers, with an operating model that allows for consumer choice and open access networks while maintaining a very competitive cost position managed through coordination of quality and cost-effective care.

However, UNH has redefined its health and well-being mission beyond the traditional boundaries of health plan services into offerings such as access to specialized care networks and services; long-term care or live-in solutions for the frail elderly population; and health care data, analysis, and research services to providers.

The company's independent but strategically aligned businesses—UnitedHealthcare, Ovations, AmeriChoice, Uniprise, Specialized Care Services, and Ingenix—leverage each affiliate unit's resources and capabilities to take advantage of opportunities both in traditional and nontraditional areas of health and well-being services.

Acquisition strategy has been very narrowly defined to specific skills and platforms to enhance what UNH has already built. Standard & Poor's views the premium price paid for the most recent acquisition of Oxford as an indication of increased appetite for acquisitions. However, UNH's strategy for acquisitions is disciplined and is focused on filling in underrepresented geographic areas or adding complementary skills or business platforms.

Operational management

Standard & Poor's believes UNH effectively manages its operations, with the six distinct operating units managed independently yet strategically linked, each taking advantage of the competencies of the other.

This organizational structure is a product of an internal realignment process that began in late 1997, with the objective of providing more accountability for individual business units' financial performance, more focus on tactical

execution, and greater resources for both internal growth and for external opportunities in each specific market. At the same time, this initiative identified opportunities to improve processes, primarily involving simplification of back office functions. The organizational structure allows the group, though vast, to be responsive and entrepreneurial and to exploit market and technological opportunities through which it can achieve financial flexibility and economies of scale. UNH has completed the realignment process and is currently focusing on numerous traditional process-improvement and performance-enhancement opportunities across its businesses. An example of initiatives to improve operational effectiveness further is the move of nearly 50% of the phone call and claim transaction volume to the Internet by 2005, with the goal of an essentially laborless and paperless operation by 2010.

UNH has invested more than \$2.0 billion in the business over the last five years in technology. The organization consolidated 12 commercial business systems platforms in 1998 to two today, excluding recent acquisitions, while operating centers have been consolidated to 11 today from more than 40 in 1998. UNH also has standardized service and claim desktops across the organization.

Financial management

Management is relatively conservative, financially committed to a strong culture of accountability and to maintaining a financially strong organization. The corporation seeks to maximize total portfolio return while deploying a prudent investment policy. However, the corporation chooses to maintain overall liquidity through extremely strong cash flows, rather than excess cash or retained earnings at the holding company, or excess surplus at the operating entities.

Financial leverage is consistent with the rating category, while future acquisition activity is expected to be relatively small and market-focused. Lack of retained earnings and relatively high goodwill levels are offset by UNH's strong, stable cash flows and sustainable competitive advantage. The competitive advantages are supported by marketing and operational effectiveness, cost advantages, and market scope as well as scale.

Regarding shareholders, UNH seeks to provide tax efficient dividends through aggressive share repurchases using excess cash flow above cash needed for regulatory purposes, capital expenditures, and mergers and acquisitions activity. UNH has also demonstrated its willingness to utilize a combination of cash and stock in significant acquisitions, ensuring a continued strong balance sheet.

Operating Performance

Table 3

(Mil. \$)	—Year ended Sept. 30—		—Year ended Dec. 31—		
	2004	2003	2002	2001	2000
Total revenue	26,707	28,823	25,020	23,454	21,122
Net underwriting gain/loss	2,903	2,977	2,221	1,550	1,215
Pretax income (including realized capital gains/losses)	2,827	2,840	2,186	1,566	1,155
Net income/loss	1,848	1,825	1,352	913	736
Pretax return on revenue (including realized capital gains/losses) (%)	10.6	9.9	8.7	6.7	5.5
Earnings adequacy ratio (%)	N.A.	410.0	330.0	285.0	282.0
Medical care ratio (excluding AARP) (%)	79.5	81.4	83.0	83.9	83.9
Expense ratio (%)	15.5	16.9	17.5	17.0	16.7

*GAAP. N.A.—Not available.

Standard & Poor's believes UNH maintains an extremely strong operating profile based on an earnings adequacy ratio, as measured by Standard & Poor's model, of 410% for the five years ended Dec. 31, 2003 (on a consolidated basis).

UNH's extremely strong and stable operating profile has been fostered by good underwriting disciplines, expense management, benefit design, and a strong brand franchise. Pretax ROR averaged 7.0% in the last five years, which is among the highest in the health insurance industry. Moreover, UNH is increasingly spreading its earnings generation across its four operating units.

Historical

UNH generated EBIT of \$2.9 billion for the full year 2003, a 34% increase from the prior year. Although the Health Care Services operating units remain the greatest contributors to earnings (64% combined), the Specialized Care Services, Uniprise, and Ingenix operating units have seen strong operating earnings growth of 34.6%, 18.0%, and 36.3%, respectively.

The consolidated medical loss ratio for UNH was 80.0% (excluding AARP) in 2003 compared with 81.4% in 2002. Selling, general, and administrative costs as a percentage of revenue were 16.9% in 2003 versus 17.5% for the full year 2002.

Current performance

UNH had a very strong operating margin of 11.1% for the three months ended Sept. 30, 2004. For the nine months ended Sept. 30, 2004, EBIT was \$2.9 billion, a 37% increase from \$2.13 billion for the same period in 2003. Excluding AARP, the medical loss ratio was 80.8% while the cost ratio decreased to 15.5% for the nine months ended Sept. 30, 2004, compared with 17.0% for the same nine-month period in 2003.

Prospective

Standard & Poor's expects UNH's extremely strong operating results to continue, with earnings of more than \$4.0 billion in 2004, or more than 10% pretax ROR, one of the industry's highest returns. Increasing margins are the result of increased technological productivity and the use of less labor, as well as strong contributions from acquired properties.

Investments and Liquidity

Table 4

	Year ended Sept. 30		Year ended Dec. 31		
(Mil. \$)	2004	2003	2002	2001	2000
Investment and other income	278	257	220	281	232
Total invested assets (excluding real estate)	12,500	9,477	6,329	5,698	5,053
<i>Portfolio composition</i>					
Cash and cash equivalents (%)**	29.1	23.9	17.8	27.1	28.1
Short-term investments (%)	6.2	5.1	11.1	4.7	3.9
Long-term investments (%)	64.7	71.0	71.1	68.2	68.0
Total invested assets (%)	100.0	100.0	100.0	100.0	100.0

*GAAP. Excludes assets under management for AARP. **Cash and short-term investments

Table 5

	—Year ended Sept. 30—		—Year ended Dec. 31—		
(Mil. \$)	2004	2003	2002	2001	2000
Cash flow from operations	2,885	3,003	2,423	1,844	1,521
Cash and cash equivalents**	4,409	2,748	1,130	1,540	1,419
Medical costs payable	5,541	4,152	3,741	3,460	3,266
Quick liquidity ratio (%)**	79.6	66.2	30.2	44.5	43.4
Cash flow from operations/medical costs payable (%)	52.1	72.3	64.8	53.3	46.6
Liquidity ratio (%)	N.A.	124.9	112.3	112.4	116.5
Claims turnover (days)	N.A.	73.2	75.1	71.6	73.8

*GAAP. **Cash and short-term investments. N.A.—Not available.

Standard & Poor's views UNH's investment philosophy as prudent and appropriate for the company's core product lines. UNH's portfolio objective is the preservation of principal and maximization of economic value (defined as portfolio after-tax total return) within acceptable risk tolerance levels.

UNH had total invested assets of \$9.5 billion in cash and invested assets at year-end 2003 (consolidated GAAP, regulated assets, excluding AARP reserves). The portfolio is highly liquid, with more than 90% in cash, short-term investments, and long-term investments rated 'A' or higher by Standard & Poor's. The fixed-income component is made up of 27% in state and municipal obligations, 28% cash equivalents, 34% corporate or mortgage-backed securities, and 7% in U.S. government and agency obligations.

UNH maintains minimum liquidity, based on an estimated liquidity ratio of 125% for 2003, as measured by Standard & Poor's model. However, UNH's consolidated operating cash flow was extremely strong at \$3.0 billion in 2003, a 34% increase from 2002.

Prospective

Standard & Poor's expects UNH to maintain good levels of liquidity and continue to generate strong positive operating cash flows. Standard & Poor's also expects UNH's investment philosophy to remain prudent and appropriate for the company's core product lines.

Capitalization

Table 6

	—Year ended Sept. 30—		—Year ended Dec. 31—		
(Mil. \$)	2004	2003	2002	2001	2000
Total assets	27,897	17,634	14,164	12,486	11,053
Total liabilities	16,830	12,506	9,736	8,595	7,365
Total stockholders' equity	11,067	5,128	4,428	3,891	3,688
Total debt/capital (%)	26.1	27.8	28.5	28.9	24.7
Capital adequacy ratio (%)	N.A.	124.7	116.9	110.0	106.0
Interest coverage (earnings before interest and taxes) (x)	33.9	30.9	24.3	16.7	17.0

*GAAP. N.A.—Not available.

Statutory capitalization is considered strong based on the pro forma capital adequacy as of Dec. 31, 2003 of 137%. However, following the acquisition of several risk-bearing plans capitalized more strongly than UNH, capital is expected to fall to lower historical levels, lower than appropriate for the rating. UNH favors a policy of upstreaming

dividends to the parent holding company, allowing for capital contributions when and where they are needed. Standard & Poor's believes that capital is somewhat fungible between regulated subsidiaries, but notes that UNH holds very little cash at the holding company either, preferring to use it for acquisition of new properties or share repurchase.

Historical

Total statutory capital was about \$3.0 billion at year-end 2003 excluding Golden Rule and the companies acquired in 2004. Statutory capital was about \$4.4 billion on a pro forma basis. UNH has not needed to access external capital to maintain regulatory capital at adequate levels because of its strong earnings capacity and cash flow to support its capital base.

Prospective

Consolidated statutory capitalization is expected to remain at good but minimally secure levels (in the 110%-115% range) in the intermediate term. The group's strong earnings capacity and good financial flexibility should enable it to maintain its capital strength.

Financial Flexibility

Standard & Poor's believes UNH has strong financial flexibility based on its very strong earnings capacity and good access to external capital markets. This characteristic of the company is also viewed as a competitive advantage in the health insurance and managed care segment. Cash flow to debt is less than 1x. UNH's debt-to-total capital ratio was about 26.1% as of Sept. 30, 2004, and interest coverage was about 34x for the nine months ended Sept. 30, 2004, considered above average for the rating category. However, when lease obligations are factored in, fixed charge coverage drops to 16x for the same period, which is still very strong.

The company's debt leverage is expected to remain at levels consistent with the rating category, not to exceed 30% debt-to-total capital in the near future. However, debt to tangible capital was estimated at 86% as of Sept. 30, 2004. Goodwill represents 88% of intangibles and about 83% of shareholder equity. Goodwill has remained a large share of equity over time because UNH has aggressively pursued share repurchase rather than retaining its earnings. The extremely strong earnings and cash flows from operations currently support that level of goodwill. However, it is a negative factor in Standard & Poor's assessment of the quality of UNH's capital.

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RatingsDirect
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UnitedHealth Group Inc.

CREDIT RATING

Local currency A/Stable/A-1

Credit Rating History

	Local	Foreign
Currency		
Currency		
Nov 3, 1998	A/A-1	NR

Sept. 3, 1998

A A

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Tel (1) 952-936-1300
Chief Executive Officer: William W. McGuire, M.D.
Treasurer: Robert W. Oberrender

Major Rating Factors

Strengths:

- Extremely strong operating earnings with EBIT interest coverage of 34x for the nine months ended Sept. 30, 2004 and 31x for the full year 2003.
- Net dividends from subsidiaries of nearly \$1 billion in 2003. Cash dividends from UnitedHealth Group Inc.'s largest operating subsidiary, United HealthCare Insurance Co., were \$889 million for the first nine months of 2004 compared with \$662 million for the full year 2003.
- Debt to capitalization was strong at 26.1% at Sept. 30, 2004 and 27.8% at year-end 2003.
- The organization has diversified sources of revenue, both unregulated and regulated, by geographic region, business segment, and legal entity. In addition, the company is growing the portion of information and administration-based businesses that are not related to the same commercial customer base to which it supplies medical benefits and administration.
- Financial flexibility is a competitive advantage. The company has excellent access to capital markets and has used stock as currency in recent acquisitions.

Weaknesses:

- Goodwill and intangibles as of Sept. 30, 2004 is about 94% of shareholder equity. Debt to tangible capital is 86% as of Sept. 30, 2004.

- Adequate statutory capitalization: Aggressive share repurchase program minimizes retained earnings at the organization.

Rationale

The counterparty credit rating on UnitedHealth Group Inc. (NYSE: UNH) reflects extremely strong earnings, very strong competitive position, good diversification, and differentiated positioning. UNH has good access to the external capital markets, the result of maintaining financial leverage consistent with the rating and strong and stable interest coverage. In addition, the consolidated cash flow from operations provides the company with a great deal of flexibility to use funds both internally and externally.

Goodwill has remained a large share of equity over time, recently due to acquisitions and previously because UNH has aggressively pursued share repurchase rather than retaining its earnings. The extremely strong earnings and cash flows from operations currently support that level of goodwill. However, it is a negative factor in Standard & Poor's assessment of the quality of UNH's capital.

Similarly, the consolidated capital adequacy ratio remains lower than appropriate for the rating. Standard & Poor's believes UNH's strong, stable earnings capacity, cash generation from both regulated and nonregulated sources, and financial flexibility in the external capital markets enable it to strengthen regulatory capital if required.

Standard & Poor's maintains its nonstandard notching of UNH (i.e., one notch between the holding company rating and operating company financial strength rating instead of three notches) because of the organization's diversified sources of revenue, both unregulated and regulated, by geographic region, business segment, and legal entity. In addition, the company is growing the portion of information and administration-based businesses that are not related to the same commercial customer base to which it supplies medical benefits and administration.

UNH's debt to capitalization ratio is expected to remain at 30% or less. Interest coverage is expected to be in the range of 20x-25x in 2005, down from the current level but still extremely strong. UNH's total goodwill and intangibles has increased to about \$10.4 billion, pushing the intangible to total equity ratio to about 94%. This ratio, though high, is generally consistent with UNH's intangibles to equity ratio in the past few years.

Oxford Acquisition in July 2004

UNH's acquisition of Oxford Health Plans Inc. (Oxford) adds a small degree of risk because of increasing goodwill and operational integration. Standard & Poor's gains some comfort in the level of goodwill because it is supported by continued extremely strong cash flows. Potential future cash flows afforded by more competitive New York City networks are expected to support these higher levels of goodwill for at least one to two years. Nevertheless, UNH will need to retain earnings to preserve intangibles to total equity levels.

Standard & Poor's anticipates that the enhanced provider network of the combined organization will have more negotiating influence with hospitals and doctors in the New York market. Standard & Poor's also expects Oxford's key managers to remain in place. The operational integration risks are also partially mitigated by the acquired business being core to UNH's business as well as by UNH's successful experience with acquisitions and back-office integration.

Standard & Poor's views the premium price paid for the Oxford acquisition as an indication of increased appetite for acquisitions. However, UNH's strategy for acquisitions is disciplined and is focused on filling in underrepresented geographic areas or adding complementary skills or business platforms.

Liquidity

Standard & Poor's believes the overall liquidity of the organization is strong. Current year obligations (interest expense and operating leases) are about \$575 million, easily derived from non-regulated sources alone. The company is adept at managing cash flows effectively and consequently maintains very little cash at the holding company level, relying on strong and stable cash flows to cover corporate uses of cash for capital expenditures, mergers and

acquisitions, and share repurchases. The company is perhaps the most aggressive in the industry with stock repurchases. The company also pays a small dividend to shareholders.

As of Sept. 30, 2004, UNH had consolidated cash and short-term investments of \$4.4 billion and committed banks lines of \$1 billion, a backstop to its commercial paper program. As of Sept. 30, 2004, UNH had \$3.75 billion long-term debt, with \$550 million maturing in the next two years. UNH had no outstanding commercial paper as of Sept. 30, 2004.

Outlook

UNH is expected to grow revenue by about 29% to more than \$37 billion for full-year 2004, including acquisitions. Standard & Poor's expects UNH's 2004 EBIT to be more than \$4.0 billion (about a 10% ROR), one of the industry's highest returns. Consolidated statutory capitalization is expected to be maintained, with a capital adequacy ratio of 110%-115%. The company's debt-to-total-capital ratio is not expected to exceed 30% in the near future. Interest coverage is expected to be more than 20x, which is considered strong for the rating category.

Financial Profile

UNH is the largest health insurer and managed care organization in the U.S., providing commercial medical services and benefits (in its Health Care Services and Uniprise franchises) to more than 20 million members. The organization had good commercial enrollment growth of 3.3% for the nine months ended Sept. 30, 2004. UNH's membership by segment is as follows: 9.6 million Uniprise members (primarily nonrisk), a 5.6% increase for the nine months ended Sept. 30, 2004; 10.8 million UnitedHealthcare commercial members, a 30.6% increase for the same period including acquisitions of Golden Rule Financial Corp., Mid Atlantic Medical Services, Inc., and Oxford; and 1.6 million members in government programs, a 16.5% increase for the same period.

UNH's strengths are similar to those of other national large carriers: broad geographic diversification, market segments, and product lines, and strong technology applications at several levels of the health care industry. However, UNH's Specialized Care Services business unit has established unique products in specialized care benefits and networks and resource coordination, which provide benefit-support services to large organizations, and in health care data, research, analysis, and related services through its related Ingenix business unit. This is unlike diversification in insurance product lines because these are unregulated businesses and are not subject to volatility of underwriting cycles. UNH can leverage these health service units to enhance its largest operating units' (Health Care Services and Uniprise) ability to deliver better health care while fueling revenue and earnings expansion in traditional and nontraditional markets.

UNH's consolidated earnings adequacy ratio of 410% for the five years ended Dec. 31, 2003 is considered extremely strong and consistent with the ratings. Its pretax ROR has been stable and averaged more than 7% in the prior five-year period. UNH generated EBIT of \$2.9 billion for the nine months ended Sept. 30, 2004, a 37% increase from the same period in 2003.

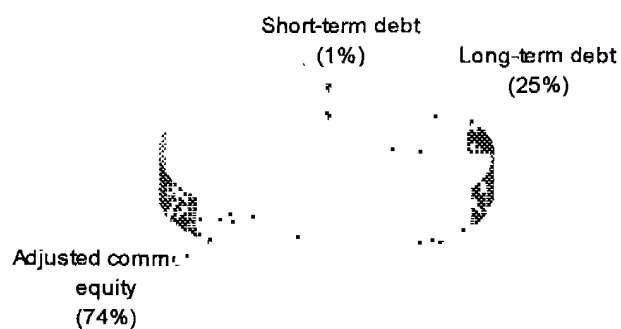
	—Year ended Sept. 30—		—Year ended Dec. 31—		
	2004	2003	2002	2001	2000
Double leverage (%)	N.A.	57.3	70.8	62.4	89.5
Debt to total capital (%)	26.1	27.8	28.5	28.9	24.7
Debt (including lease obligations) to capital (including lease obligations) (%)	26.1	32.0	34.0	35.1	N.A.
Debt plus preferred including hybrids to total capital (%)	26.1	27.8	28.5	28.9	24.7
EBIT interest coverage (x)	33.9	31.9	24.3	16.7	16.7
EBIT interest coverage (x) including lease obligations	16.2	13.6	12.1	7.4	6.7
EBITDA interest coverage (x)	36.0	35.2	27.1	20.1	20.4

	—Year ended Sept. 30—		—Year ended Dec. 31—		
	2004	2003	2002	2001	2000
EBITDA interest coverage (x) including lease obligations	17.2	15.0	11.7	9.1	8.0
Statutory interest coverage (x)	0.0	3.0	2.7	0.0	0.0
Statutory fixed charge coverage (x)	0.0	3.0	2.7	0.0	0.0
Funds available from operations to total debt (%)	0.0	0.1	0.1	0.0	0.0
Debt/EBITDA (%)	126.0	61.2	72.1	86.5	82.0
Debt/total tangible capital (%)	71.3	57.9	65.1	58.1	54.0
Total intangibles/equity (%)	85.8	71.9	78.7	70.7	72.0
Total obligations/total capital (%)	28.8	33.9	35.4	N.A.	N.A.
EBITDA/total obligations (%)	71.8	134.1	111.3	N.A.	N.A.
Operating cash flow/total obligations (%)	66.9	124.5	110.5	N.A.	N.A.
Free cash flow/total obligations (%)	61.2	109.6	91.0	N.A.	N.A.

N.A.—Not available.

UnitedHealth Group Inc. Consolidated Capital Analysis as of Sept. 30, 2004

Total capital: \$15 billion



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Research Update: UnitedHealth Group Inc. 'A' Ratings Affirmed; PacifiCare Health Systems Ratings On Watch Pos

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RatingsDirect Publication Date

July 8, 2005

Rationale

On July 6, 2005, Standard & Poor's Ratings Services affirmed its 'A' counterparty credit rating on UnitedHealth Group Inc. (NYSE:UNH) after UNH announced that it plans to acquire PacifiCare Health Systems Inc. (NYSE:PHS). The outlook on UNH remains stable.

At the same time, Standard & Poor's placed its 'BBB-' counterparty credit rating on PHS on CreditWatch with positive implications.

UNH's plan to acquire PHS, a transaction valued at \$9.0 billion, will not affect the ratings on UNH. It does, however, moderately heighten operational and financial risk at UNH because of the cumulative acquisitions UNH has made in the past two years and the premium price it is paying for PHS.

The sound strategic rationale for the combination is to fill a geographic gap in UNH's current proprietary network and give UNH a significant presence in the Medicare Advantage market as it positions for growth in Medicare offerings. PHS, which had been expanding geographically through two recent acquisitions of its own, will gain access to stronger national networks, a consumer driven product platform, and processing technology. These mutual enhancements to competitive position offset the typical business-integration risks associated with an acquisition of this magnitude. In addition, the acquired business is core to UNH's business and UNH has had successful experience to date with acquisitions and back-office integration. Standard & Poor's expects PHS' key management to remain in place following the transaction, leading the western region for UNH.

This transaction would be the third significant health plan acquisition in two years for UNH, continuing a trend of increased pace and scale of acquisition. However, UNH's strategy for acquisitions is disciplined and focused on serving under-represented geographic areas or adding complementary skills or business platforms. The transaction, which is subject to numerous regulatory approvals, is expected to close in early 2006. Upon closing, Standard & Poor's will likely raise the ratings on PHS to 'A' from 'BBB-'.

Outlook

UNH is expected to grow revenue by 20% to about \$45 billion for full-year 2005, and 2005 EBIT is expected to be about \$4.8 billion (more than a 10% ROR), one of the industry's highest returns. Consolidated statutory capitalization (110%-115%) is below the range supportive of the rating but is offset by very strong cash flow and financial flexibility. Interest coverage will remain at more than 20x while leverage will remain less than 30%. Standard & Poor's believes integration risks of UNH's 2004 acquisitions will be offset by favorable business positioning in those markets.

The stable outlook reflects the very strong and diversified consolidated competitive position and ability to integrate and expand its business through recent and announced acquisitions. The outlook could be revised to negative if UNH fails to integrate Oxford, Mid-Atlantic Medical Services Inc. (MAMSI) or PHS acquisitions successfully, generating enhanced sales and earnings for each of the operations, or if UNH faces a considerable increase in competitive pricing in any of the key geographic markets it acquired, or in the Medicare market.

Major Rating Factors

- UNH is among the largest health care services organizations in the U.S., providing commercial medical services and benefits (in its Health Care Services and Uniprise franchises) to more than 23 million members. The organization's commercial, Medicare, and Medicaid enrollment grew by more than 20% in 2004, including the acquired membership of MAMSI, Oxford, and Definity Health Corp. UNH serves all market segments, including the small and middle-market groups, individual, multi-site self-insured, AARP Medicare supplement, MedicareAdvantage, and Medicaid markets with organized health plans and insurance companies operating in all 50 states.
- UNH's management and corporate strategy stands above others in the health insurance sector and has translated into extremely strong and consistent operating performance. UNH, like other national large carriers, maintains broad geographic diversification, market segments, and product lines and strong technology applications at several levels of the health care industry. In addition, UNH's Specialized Care Services business unit has established unique products in specialized care benefits and networks and resource coordination, which provide benefit-support services to large organizations, and in health care data, research, analysis, and related services through its related Ingenix business unit. This is unlike diversification in insurance product lines because these are unregulated businesses and are not subject to volatility of underwriting cycles or regulatory oversight. UNH can leverage these health service units to enhance its largest operating units' (Health Care Services and Uniprise) ability to deliver better health care while fueling revenue and earnings expansion in traditional and nontraditional markets.
- UNH has good access to the external capital markets, the result of maintaining financial leverage consistent with the current rating category (a 28.8% debt-to-total-capital ratio as of Mar. 31, 2005, excluding net unrealized gains on investments) and maintaining strong and stable interest coverage (32x in 2004). Standard

& Poor's believes capitalization will be maintained at good levels but below levels supportive of the rating. In addition, UNH's strong, stable earnings capacity, cash generation from both regulated and unregulated sources, and financial flexibility in the external capital markets enable it to strengthen regulatory capital if required. The consolidated cash flow from operations (\$4.1 billion in 2004 compared with \$3.0 billion in 2003) provides the company with a great deal of flexibility to use funds both internally and externally. The company repurchased \$3.5 billion of its own stock in 2004 compared with \$1.6 billion in 2003.

- Goodwill and intangibles constituted about 101% of shareholders' equity as of Mar. 31, 2005. This ratio is and has been high for the past few years both as a result of premiums paid on acquisitions and an aggressive stock repurchase program. The extremely strong earnings and cash flows from operations currently support that level of goodwill, but it is a negative factor in Standard & Poor's assessment of the quality of UNH's capital. Total debt to tangible capital was 103% as of Mar. 31, 2005. Standard & Poor's expects any decline in earnings to be matched with an equivalent reduction in share repurchases.
- Standard & Poor's maintains its nonstandard notching on the ratings on UNH (i.e., one notch higher than the holding company rating instead of the typical three) because of the organization's diversified sources of revenue, both unregulated and regulated, by geographic region, business segment, and legal entity. In addition, the company is growing the portion of information and administration-based businesses that are not related to the same commercial customer base to which it supplies medical benefits and administration.

Ratings List

	To	From
PacifiCare Health Systems Inc.		
Counterparty credit rating	BBB-/WatchPos	BBB-/Neg
Senior debt rating	BBB-/WatchPos	BBB-/Neg
Ratings Affirmed		
UnitedHealth Group Inc.		
Counterparty credit rating	A/Stable	
Senior debt rating	A	

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NEWS RELEASE



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(For Immediate Release)

UNITEDHEALTH GROUP REPORTS RECORD THIRD QUARTER NET EARNINGS OF \$0.64 PER SHARE

- **Revenues for Third Quarter Up 15% to More Than \$11.3 Billion**
- **Services Extended to 500,000 New Consumers**
- **Operating Margin Expanded to 12.2%**
- **Earnings Per Share Increased 23%**
- **Operating Cash Flows of \$1.2 Billion, Up 25%**
- **Return on Equity of 31%**

MINNEAPOLIS (October 14, 2005) – UnitedHealth Group (NYSE: UNH) achieved record results in the third quarter of 2005, reported Chairman and CEO William W. McGuire, M.D. “Third quarter results were driven by strong and diverse growth coupled with consistent operating performance across the spectrum of UnitedHealth Group businesses. Every reporting segment produced year-over-year and sequential quarterly advances in operating earnings, and our businesses in the aggregate brought services to yet another half a million Americans in the past three months.”



UnitedHealth Group®

Quarterly Financial Performance

	<u>Three Months Ended</u>		
	September 30, <u>2005</u>	June 30, <u>2005</u>	September 30, <u>2004</u>
Revenues	\$11.32 billion	\$11.11 billion	\$9.86 billion
Earnings From Operations	\$1.38 billion	\$1.31 billion	\$1.09 billion
Operating Margin	12.2%	11.8%	11.1%

UnitedHealth Group Highlights

- Third quarter earnings per share of \$0.64 grew 23 percent from \$0.52 in the third quarter of 2004, and improved 3 cents or 5 percent from the second quarter of 2005.
- Third quarter consolidated net earnings increased to \$842 million, up \$144 million or 21 percent year-over-year and \$33 million or 4 percent on a sequential quarter basis.
- Consolidated revenues of \$11.3 billion increased \$1.5 billion or 15 percent year-over-year, and \$211 million or 2 percent from the second quarter of 2005.
- Operating costs were 14.9 percent of revenues in the third quarter, compared to 15.1 percent in the third quarter of 2004 and 14.7 percent in the second quarter of 2005. The year-over-year decline reflects advances in quality and productivity, along with the benefits of an increase in business scale. The sequential quarterly increase reflects initial consumer education and operational readiness costs related to the national introduction of the Company's new Medicare prescription drug plans.
- Earnings from operations increased to \$1.4 billion in the third quarter, up \$286 million or 26 percent over the prior year, and up \$68 million or 5 percent sequentially.
- Consolidated third quarter operating margin improved to 12.2 percent from 11.1 percent in third quarter 2004 and 11.8 percent in second quarter 2005.

UnitedHealth Group Highlights – Continued

- Accounts receivable, excluding the AARP programs, were \$528 million at September 30, 2005, and continued to represent less than 5 days sales outstanding.
- Medical costs payable, excluding the AARP programs, increased \$259 million or 6 percent year-over-year, standing at \$4.9 billion at September 30, 2005. Medical costs days payable was 64 days for the quarter.
- During the third quarter, the Company realized favorable development of \$60 million in its estimates of medical costs incurred in 2004. Third quarter results also included \$70 million in favorable development stemming from the first two quarters of 2005.
- The income tax rate in the third quarter of 2005 of 36 percent increased 50 basis points sequentially and two percentage points year-over-year, primarily due to shifts in the relative size of the business in higher tax states, especially in the northeastern United States.
- Cash flows from operations were \$1.2 billion for the third quarter, up 25 percent year-over-year, and reached approximately \$3.7 billion for the first nine months of 2005.
- Available cash on hand reached \$470 million at September 30, 2005, as the Company began to set aside funds for debt redemption related to the proposed PacifiCare merger. The Company also repurchased 4 million shares in the third quarter, bringing year-to-date shares repurchased and capital deployed to 49 million shares and \$2.3 billion, respectively.
- Third quarter 2005 annualized return on equity reached 31 percent.
- The United Health Foundation committed \$10 million in the third quarter to fund disaster-related community needs.

Closing Comment

“Our efforts are directed at advancing quality, access, affordability and simplicity in health care systems – and doing so for a wide array of customers and markets,” stated Dr. McGuire. “We are pleased to see that pursuing better ways to organize health resources, apply technology and use data – all done through a diverse and responsible group of businesses – is producing positive results for all concerned parties.

“Our business outlook is favorable. The continued strategic and operating advances we are making, combined with strong organic growth now being realized as each of our businesses expands their market share, will drive positive performance into 2006. We now expect full year earnings of \$2.48 per share in 2005, a 26 percent advance, and foresee further earnings per share growth in 2006 of 15 percent or more, prior to considering any per share contributions from the launch of our new prescription drug plans for seniors or the pending PacifiCare merger.”



Business Description – Health Care Services

The Health Care Services segment consists of the UnitedHealthcare, AmeriChoice and Ovations business units. UnitedHealthcare coordinates network-based health and well-being services on behalf of multistate mid-sized and local employers and for consumers. AmeriChoice facilitates and manages health care services for state Medicaid programs and their beneficiaries. Ovations delivers health and well-being services to Americans over the age of 50.

Quarterly Financial Performance			
	<u>Three Months Ended</u>		
	September 30, <u>2005</u>	June 30, <u>2005</u>	September 30, <u>2004</u>
Revenues	\$9.95 billion	\$9.81 billion	\$8.71 billion
Earnings From Operations	\$976 million	\$944 million	\$763 million
Operating Margin	9.8%	9.6%	8.8%

Key Developments for Health Care Services

- Revenues for Health Care Services of \$10.0 billion grew \$1.2 billion in the third quarter – a 14 percent year-over-year increase and a gain of \$142 million or 1 percent sequentially.
- Third quarter Health Care Services operating earnings of \$976 million increased \$213 million or 28 percent year-over-year. On a sequential quarter basis, operating earnings increased \$32 million or 3 percent, as improved performance from AmeriChoice and continued gains from business growth at UnitedHealthcare and Ovations more than offset increased marketing and administrative cost investments associated with introducing Medicare prescription drug plans at Ovations.
- Third quarter operating margin of 9.8 percent expanded 100 basis points year-over-year and 20 basis points sequentially.

Key Developments for Health Care Services – Continued

- Third quarter revenues of \$6.8 billion for UnitedHealthcare increased \$836 million or 14 percent year-over-year and \$78 million or 1 percent sequentially.
- UnitedHealthcare served 11.4 million people as of September 30, 2005, an increase of 460,000 individuals year to date, including an increase of 265,000 individuals in the third quarter of 2005. Third quarter results were highlighted by strong internal growth of 135,000 people and supplemented by the September 19, 2005 acquisition of Neighborhood Health Partnership in Miami, Florida.
- UnitedHealthcare's third quarter 2005 commercial medical care ratio of 78.0 percent compared favorably to the ratio of 78.6 percent in both the second quarter of 2005 and the third quarter of 2004.
- AmeriChoice third quarter revenues of \$843 million increased \$48 million or 6 percent year-over-year.
- AmeriChoice membership of approximately 1.2 million people is essentially flat year-over-year, as organic growth in people served was offset by a membership reduction related to its withdrawal from the Illinois market during the third quarter.
- Ovations reported revenues of \$2.3 billion in the third quarter, up \$358 million or 18 percent year-over-year and \$65 million or 3 percent from second quarter 2005.
- Ovations increased its Medicare Advantage health plan enrollment by 20,000 people in the third quarter, bringing year-to-date growth to 45,000 people and the year-over-year increase to 60,000 people – a 19 percent gain.
- During the third quarter, the Centers for Medicare and Medicaid Services (CMS) awarded its approval to Ovations to offer Medicare prescription drug plans across all 50 states and all U.S. territories.
- The lead drug plan offering from Ovations, the AARP MedicareRx plan, is priced below the market average price in 33 of the 34 designated program regions, qualifying the business to receive an estimated 650,000 seniors by direct federal assignment for January 1, 2006.



Business Description

Uniprise delivers network-based health and well-being services, business-to-business transaction processing services, consumer connectivity, and technology support services to large employers and health plans, and provides health-related consumer and financial transaction products and services.

Quarterly Financial Performance			
	<u>Three Months Ended</u>		
	September 30, <u>2005</u>	June 30, <u>2005</u>	September 30, <u>2004</u>
Revenues	\$969 million	\$962 million	\$842 million
Earnings From Operations	\$205 million	\$198 million	\$171 million
Operating Margin	21.2%	20.6%	20.3%

Key Developments

- Third quarter revenues of \$969 million increased \$127 million or 15 percent over third quarter 2004 and \$7 million or 1 percent sequentially.
- Uniprise serves more than 10.5 million people in the national multilocation employer segment, having increased its membership by 630,000 people in the first nine months of 2005. The total number of people served declined by 35,000 in the third quarter, a 0.3 percent sequential decrease, due to employment attrition.
- Uniprise earnings from operations of \$205 million grew \$34 million or 20 percent year-over-year, as revenue expansion outpaced increases in operating costs. On a sequential quarter basis, earnings from operations improved \$7 million or 4 percent, as the operating margin reached 21.2 percent, expanding 90 basis points year-over-year and 60 basis points from second quarter 2005.



Business Description

Specialized Care Services offers a comprehensive array of specialized benefits, networks, services and resources to help consumers improve their health and well-being.

Quarterly Financial Performance			
	<u>Three Months Ended</u>		
	<u>September 30,</u> <u>2005</u>	<u>June 30,</u> <u>2005</u>	<u>September 30,</u> <u>2004</u>
Revenues	\$728 million	\$678 million	\$580 million
Earnings From Operations	\$148 million	\$139 million	\$124 million
Operating Margin	20.3%	20.5%	21.4%

Key Developments

- Third quarter revenues rose to \$728 million, up \$148 million or 26 percent year-over-year, and up \$50 million or 7 percent from the second quarter of 2005, driven by strong customer growth and business expansion across the portfolio of Specialized Care Services companies.
- In the third quarter, earnings from operations of \$148 million increased \$24 million or 19 percent year-over-year and \$9 million or 6 percent sequentially.
- The Specialized Care Services operating margin of 20.3 percent decreased 110 basis points year-over-year and 20 basis points from the second quarter of 2005, as revenue gains from comparatively lower margin dental benefit products changed the overall mix of business for the segment.



Business Description

Ingenix is a leader in the field of health care data, analysis and application, serving pharmaceutical companies, health insurers and other payers, physicians and other health care providers, large employers and governments.

Quarterly Financial Performance			
	Three Months Ended		
	September 30, <u>2005</u>	June 30, <u>2005</u>	September 30, <u>2004</u>
Revenues	\$205 million	\$175 million	\$170 million
Earnings From Operations	\$49 million	\$29 million	\$34 million
Operating Margin	23.9%	16.6%	20.0%

Key Developments

- Ingenix revenues increased \$35 million, or 21 percent year-over-year, to \$205 million in the third quarter of 2005.
- The Ingenix contract revenue backlog grew 25 percent year-over-year, due to strong customer demand for software products that enable payers, employers and other intermediaries to obtain a detailed understanding of medical costs and trends, software tools that improve business operations for medical service providers, and consulting and outsourced services.
- During the third quarter, the U.S. Food and Drug Administration announced it will utilize Ingenix i3 Aperio™ software and analytic consulting services to help improve the effectiveness and speed of safety evaluations for pharmaceutical agents that have been approved for use in the U.S. market.
- Ingenix earnings from operations increased \$15 million, or 44 percent year-over-year, and the operating margin increased to 23.9 percent, up 390 basis points from third quarter 2004, due to strong contribution margins on consulting services and software product sales, as well as focused operating cost disciplines across its businesses.

About UnitedHealth Group

UnitedHealth Group (www.unitedhealthgroup.com) is a diversified health and well-being company dedicated to making health care work better. Headquartered in Minneapolis, Minn., UnitedHealth Group offers a broad spectrum of products and services through six operating businesses: UnitedHealthcare, Ovation, AmeriChoice, Uniprise, Specialized Care Services and Ingenix. Through its family of businesses, UnitedHealth Group serves more than 55 million individuals nationwide.

Forward-Looking Statements

This news release may contain statements, estimates or projections that constitute "forward-looking" statements as defined under U.S. federal securities laws. Generally the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. By their nature, forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. A list and description of some of the risks and uncertainties can be found in our reports filed with the Securities and Exchange Commission from time to time, including our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements.

Earnings Conference Call

As previously announced, UnitedHealth Group will discuss the Company's results, strategy and future outlook on a conference call with investors at 8:45 a.m. Eastern time today. UnitedHealth Group will host a live webcast of this conference call from the Investor Information page of the Company's Web site (www.unitedhealthgroup.com). The webcast replay of the call will be available on the same site for one week following the live call. The conference call replay can also be accessed by dialing 1-800-642-1687, conference ID # 9434578. This earnings release and the Form 8-K dated October 14, 2005, which may also be accessed in the Investor Information section of the Company's Web site, include a reconciliation of non-GAAP financial measures.

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UNITEDHEALTH GROUP

**Earnings Release Schedules and Supplementary Information
Quarter Ended September 30, 2005**

- Consolidated Statements of Operations
- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Cash Flows
- Segment Financial Information
- Customer Profile Summary

UNITEDHEALTH GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
REVENUES				
Premiums	\$ 10,245	\$ 8,920	\$ 30,178	\$ 23,985
Services	942	842	2,764	2,444
Investment and Other Income	135	97	378	278
Total Revenues	<u>11,322</u>	<u>9,859</u>	<u>33,320</u>	<u>26,707</u>
COSTS				
Medical Costs	8,138	7,180	24,101	19,375
Operating Costs	1,690	1,488	4,942	4,151
Depreciation and Amortization	116	99	333	268
Total Costs	<u>9,944</u>	<u>8,767</u>	<u>29,376</u>	<u>23,794</u>
EARNINGS FROM OPERATIONS	<u>1,378</u>	<u>1,092</u>	<u>3,944</u>	<u>2,913</u>
Interest Expense	(62)	(34)	(166)	(86)
EARNINGS BEFORE INCOME TAXES	<u>1,316</u>	<u>1,058</u>	<u>3,778</u>	<u>2,827</u>
Provision for Income Taxes	(474)	(360)	(1,348)	(979)
NET EARNINGS	<u>\$ 842</u>	<u>\$ 698</u>	<u>\$ 2,430</u>	<u>\$ 1,848</u>
BASIC NET EARNINGS PER COMMON SHARE	<u>\$ 0.67</u>	<u>\$ 0.55</u>	<u>\$ 1.92</u>	<u>\$ 1.50</u>
DILUTED NET EARNINGS PER COMMON SHARE	<u>\$ 0.64</u>	<u>\$ 0.52</u>	<u>\$ 1.83</u>	<u>\$ 1.43</u>
Diluted Weighted-Average Common Shares Outstanding	<u>1,319</u>	<u>1,341</u>	<u>1,327</u>	<u>1,295</u>

UNITEDHEALTH GROUP
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions)
(unaudited)

	September 30, 2005	December 31, 2004
ASSETS		
Cash and Short-Term Investments	\$ 5,493	\$ 4,505
Accounts Receivable, net	941	906
Other Current Assets	2,818	2,830
Total Current Assets	9,252	8,241
Long-Term Investments	8,235	7,748
Other Long-Term Assets	12,209	11,890
Total Assets	\$ 29,696	\$ 27,879
LIABILITIES AND SHAREHOLDERS' EQUITY		
Medical Costs Payable	\$ 5,888	\$ 5,540
Commercial Paper and Current Maturities of Long-Term Debt	631	673
Other Current Liabilities	5,510	5,116
Total Current Liabilities	12,029	11,329
Long-Term Debt, less current maturities	3,850	3,350
Future Policy Benefits for Life and Annuity Contracts	1,750	1,869
Deferred Income Taxes and Other Liabilities	838	814
Shareholders' Equity	11,229	10,717
Total Liabilities and Shareholders' Equity	\$ 29,696	\$ 27,879

The table below summarizes certain balance sheet data excluding AARP related amounts:			
	September 30, 2005		December 31, 2004
Accounts Receivable, net	\$ 528	\$	517
Other Current Assets	\$ 1,066	\$	947
Other Current Liabilities	\$ 4,321	\$	3,743
Medical Costs Payable	\$ 4,912	\$	4,641
Days Medical Costs in Medical Costs Payable	64		64

UNITEDHEALTH GROUP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Nine Months Ended September 30,	
	2005	2004
Operating Activities		
Net Earnings	\$ 2,430	\$ 1,848
Noncash Items:		
Depreciation and amortization	333	268
Deferred income taxes and other	60	25
Net changes in operating assets and liabilities	871	744
Cash Flows From Operating Activities	<u>3,694</u>	<u>2,885</u>
Investing Activities		
Cash paid for acquisitions, net of cash assumed	(286)	(1,912)
Purchases of property, equipment and capitalized software	(367)	(240)
Net sales and maturities/(purchases) of investments	(349)	344
Cash Flows Used For Investing Activities	<u>(1,002)</u>	<u>(1,808)</u>
Financing Activities		
Common stock repurchases	(2,380)	(2,098)
Net change in commercial paper and debt	458	1,921
Other, net	416	473
Cash Flows (Used For) From Financing Activities	<u>(1,506)</u>	<u>296</u>
Increase in cash and cash equivalents	1,186	1,373
Cash and cash equivalents, beginning of period	3,991	2,262
Cash and cash equivalents, end of period	<u>\$ 5,177</u>	<u>\$ 3,635</u>
Supplemental Schedule of Noncash Investing Activities:		
Common Stock Issued for Acquisitions	\$ -	\$ 5,557

UNITEDHEALTH GROUP
SEGMENT FINANCIAL INFORMATION
(in millions)
(unaudited)

REVENUES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
UnitedHealthcare	\$ 6,772	\$ 5,936	\$ 20,072	\$ 15,519
Ovations	2,339	1,981	6,808	5,535
AmeriChoice	843	795	2,514	2,296
Health Care Services	9,954	8,712	29,394	23,350
Uniprise	969	842	2,872	2,520
Specialized Care Services	728	580	2,053	1,707
Ingenix	205	170	546	456
Corporate and eliminations	(534)	(445)	(1,545)	(1,326)
Total Consolidated	<u>\$ 11,322</u>	<u>\$ 9,859</u>	<u>\$ 33,320</u>	<u>\$ 26,707</u>

EARNINGS FROM OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Health Care Services	\$ 976	\$ 763	\$ 2,830	\$ 1,976
Uniprise	205	171	592	508
Specialized Care Services	148	124	420	356
Ingenix	49	34	102	73
Total Consolidated	<u>\$ 1,378</u>	<u>\$ 1,092</u>	<u>\$ 3,944</u>	<u>\$ 2,913</u>

UNITEDHEALTH GROUP
CUSTOMER PROFILE SUMMARY
(in thousands)
(unaudited)

Customer Profile	September 2005 (a)	June 2005	December 2004	September 2004
Commercial Businesses				
Risk-based	11,785	11,530	10,820	10,595
Fee-based	16,750	16,665	15,525	15,265
Federal, State, and Municipal Governments	7,190	7,075	7,035	6,890
Individual Consumers	1,555	1,540	1,455	1,450
Business-to-Business	19,745	19,715	19,005	19,025
Grand Total	57,025	56,525	53,840	53,225
Consumer-directed health plans (included above)	1,060	1,005	560	235

(a) Includes 130,000 individuals served by Neighborhood Health Partnership, which was acquired in September 2005.

Supplemental Segment Profile - Health Care Services and Uniprise	September 2005 (a)	June 2005	December 2004	September 2004
Health Care Services:				
Risk-based commercial	7,805	7,700	7,655	7,635
Fee-based commercial	3,615	3,455	3,305	3,200
Medicare	375	355	330	315
Medicaid	1,230	1,265	1,260	1,240
Total Health Care Services	13,025	12,775	12,550	12,390
Uniprise	10,505	10,540	9,875	9,565